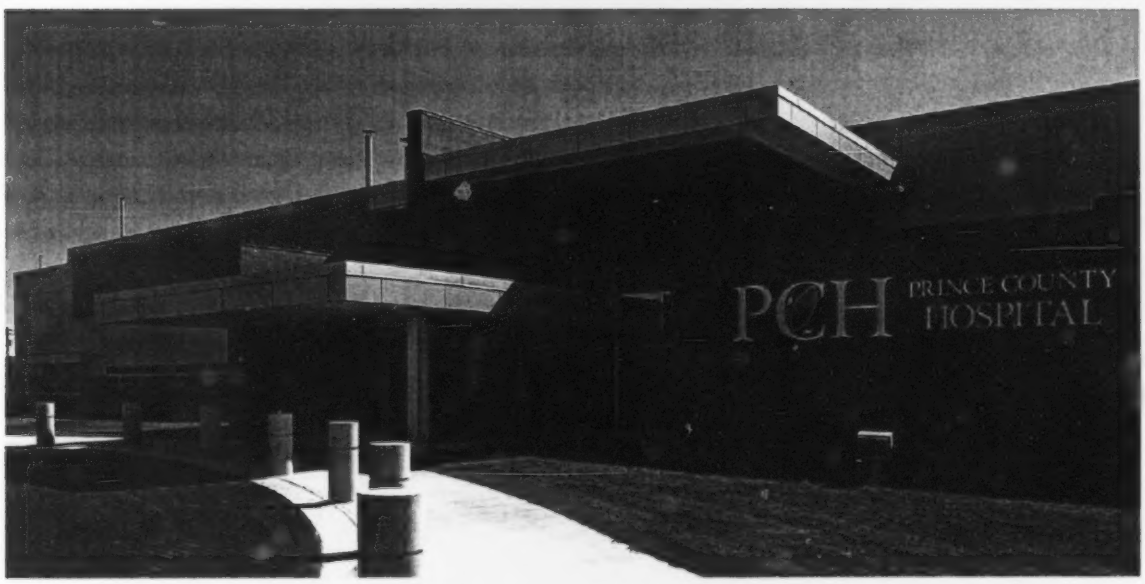
Prince Edward Island
CANADA

Risk Management and Insurance Annual Report 2008-2009



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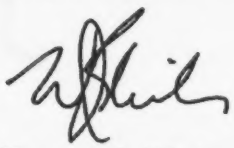
Message from the Minister

The Honourable Barbara A. Hagerman
Lieutenant Governor of Prince Edward Island
PO Box 2000
Charlottetown, PE C1A 7N8

May it please your honour:

Pursuant to the *Financial Administration Act* it is my privilege to submit the Annual Report of the Risk Management and Insurance Section and the financial statement of the PEI Self-Insurance and Risk Management Fund for the period ending March 31, 2009.

Respectfully submitted,



Honourable Wesley J. Sheridan
Provincial Treasurer

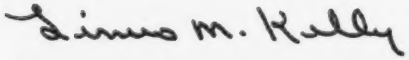
Message from the Manager

Honourable Wesley J. Sheridan
Provincial Treasurer
Second Floor South, Shaw Building
95 Rochford Street
PO Box 2000
Charlottetown, PE C1A 7N8

Dear Mr. Sheridan:

It is my privilege to submit the annual report of the Risk Management and Insurance Section of Provincial Treasury (RM&I). Included in this report are the audited financial statements of the PEI Self-Insurance and Risk Management Fund for the year ending March 31, 2009.

Respectfully submitted,



Linus Kelly, Acting Manager
Risk Management and Insurance Section

Mandate of the Risk Management and Insurance Section (RM&I)

Our section's mandate is to develop, implement and maintain Government's risk management and self-insurance programs, with the goal of eliminating or minimizing the potential for loss to Government departments, crown corporations, agencies, commissions, hospitals and school boards/district. The objective is to provide a quality service which protects public sector assets and programs, to control losses when they occur, by providing a professional claims management service to our insureds and the public we serve. We focus on providing professional risk management and insurance advice on a daily basis which is essential to the many programs our clients deliver to the general population.

Manager's Overview

In 1986 the PEI Self-insurance and Risk Management Fund (Fund) was established by The Government of Prince Edward Island under the *Financial Administration Act.* The volatile insurance market of the day caused premiums to escalate, and there was a reluctance to insure Government sector entities. To counter the effects of escalating premiums and diminishing coverage limits, it was the decision of Government to establish its own self-insurance program. For 10 years the program insured the liability exposures for Government, the health sector and school boards/ district. The program has been responsible for creating a fund of approximately $8 million, paying claim and administration costs, while establishing risk and claims management services designed specifically for Government and all associated PEI public sector organizations.

In 1997 property premiums with private insurers were increasing. The increased rates were a reflection of trends in the world marketplace and not the loss experience of the Province. A decision was made to increase our loss retention to $500,000 on Government, school and health sector properties. Treasury Board approved including these exposures under the umbrella of the existing self-insurance fund. Stop loss insurance with an aggregate of $1 million is purchased to limit Government's exposure for any one policy year and for any one loss. Although the events of September 2001 had a devastating effect on the insurance marketplace, Government was able to maintain stability with its rates, due to the capacity of the fund. In 2005 the program was further expanded to insure the entire automobile fleets of Government, health and school boards/district under the fund. Government departments, agencies, commissions, crown corporations and school boards realized an immediate premium savings of approximately 40 per cent.

The growth of the PEI Self-insurance and Risk Management Fund, over the last 23 years, has required my section to expand its risk capacity and the professional services needed for our clients to manage more risks, more effectively.

The terrorism disaster of 2001 in New York City had a devastating effect on the world insurance industry as many billions of dollars were lost by primary insurance and reinsurance companies in North America and Europe. The recent financial collapse of some of the world's leading insurers has put a halt to the economic recovery process in the insurance industry. Markets, however, are more favourable with renewed investment interest and early indicators suggest a modest decrease in premiums for the foreseeable future.

Risk Management and Insurance continues to expand programs and services to our clients in Government and other public sector entities funded by Government. We have been able to negotiate favourable premiums with a balance between very low risk property and liability exposures with those which by nature of the business conducted are more likely to have claims made against them.

There is a growing trend for more claims to be brought against Government and other public sector entities including school boards who are responsible for managing the risks associated with our public education system.

The potential for a monetary windfall makes the litigation process more attractive than ever. Lawsuits that were previously seen as frivolous or vexatious are now allowed into the legal process. To counter this trend, and minimize court time and legal costs litigants can now use a mediation system which has saved the fund considerable money in legal fees and court costs.

Summary

Although the demands for services with immediate time lines is an inevitable trend in our business, we have become more efficient in how we manage our client's needs. It has been our experience that clients who have internal resources with risk management and insurance knowledge can respond and provide direction with minimum consultation. For this reason we are providing more training and direction to selected individuals. Our section can approve a policy and procedure for clients rather than develop it for them.

The insurance marketplace sees Government and related entities as a source to generate revenue for their business, as a broker or insurer. Naturally, we welcome their invitations to do business, but want to maintain a level playing field when it comes to competitive quotations for our risks to be insured above and beyond our self-retention values.

Brokers and insurers must be willing to insure a broad spectrum of risks in our liability, property, fiduciary and auto portfolios. It is not uncommon for us to solicit quotations for specific risks we do not wish to expose our fund to for a variety of loss control or insurance reasons.

The PEI Self-Insurance and Risk Management Fund continues to perform very well financially. Recommendations made by the actuaries and the Auditor General's Office have resulted in an increase of reserves to pay claims that are opened but not yet settled. These increased reserves will better reflect the actual monies available in the fund to pay claims. The long term sustainability continues to improve services provided by Risk Management and Insurance to Government departments, crown corporations, agencies, commissions, hospitals and school boards.

In recent years we have been actively involved in the contract process to minimize risks associated with doing business with private sector vendors. The demands for our expertise in this area has expanded particularly with the health sector, as they realize the potential risk exposures with the many students training in their environment, as well as the large number of vendors providing IT support and other goods and services to our hospitals, manors and seniors homes.

Services Provided by Risk Management and Insurance to Government Departments, Crown Corporations, Agencies, Commissions, Hospitals and School Boards/Districts

Property Risk Inspections/Engineering Surveys electronic versions are stored in a database, *ARMS,* of the Risk Management and Insurance Section and are made available to clients.

- School playground inspections are completed in conjunction with school board maintenance and administration staff.
- Coordinate consultant studies on major projects and critical risk-management issues of the day.
- Answer frequent inquiries and provide direction to management as it relates to loss control, legal liability issues and current claim files.
- Perform risk assessments for specific clients and develop with them in partnership an effective risk-management strategy.
- Negotiate settlements of claim files with the general public, or alternatively provide understandable explanations why particular claims will not be paid.
- Coordinate seminars and make presentations to clients of Risk Management and Insurance. The seminars are designed to target risk exposures/concerns of the client, using practical risk management practices and insurance principles.
- Issuance of Certificate of Insurance for all classes of coverage provided by the PEI Self-Insurance and Risk Management Fund.
- Provide consultation services to Procurement Services regarding requests for proposals with recommendations on insurance requirements for vendors and specific language which transfers risk from Government to the service provider.
- Facilitation with Department of Health Management in negotiating contracts with a broad sector of service providers with an objective to confirm vendors are adequately insured and the contract language is fair in terms of legal responsibilities.
- Review IT contracts and confirm with vendors a Government entity can and will provide insurance coverages as required in the contract and recommend language which will make the service providers accept legal responsibility for their programs and services.

Aperçu du gestionnaire

En 1986, le gouvernement de l'Île-du-Prince-Édouard, en vertu de la *Financial Administration Act* (loi relative à l'administration financière) a instauré le Fonds d'autoassurance et de gestion des risques de l'Î.-P.-É. (Fonds). Le marché volatil de l'assurance du jour a forcé l'augmentation des primes et on hésitait à assurer les entités du secteur gouvernemental. Pour parer aux effets des primes qui continuent sans cesse d'augmenter et des limites de couvertures en diminution, le gouvernement a décidé d'établir son propre programme d'autoassurance. Pendant 10 ans, le programme assurait les risques de responsabilité pour le gouvernement, le secteur de la santé ainsi que les commissions scolaires. Dans le cadre du programme, on a créé un fonds d'environ 8 millions de dollars pour payer les coûts de réclamation et d'administration, tout en établissant des services de gestion de risques et de réclamations précisément pour le gouvernement et toutes les organisations du secteur public de l'Î.-P.-É. y afférent.

En 1997, les primes sur les propriétés des assureurs privés augmentaient. Les taux plus élevés étaient un reflet des tendances du marché mondial et non pas de l'expérience de perte de la province. Une décision a donc été prise d'augmenter notre franchise à 500 000 $ sur les propriétés du gouvernement, des écoles et du secteur de la santé. Le Conseil du Trésor a accepté d'inclure ces engagements sous l'égide du fonds existant d'autoassurance. L'assurance en excédent de perte avec un agrégat d'un million de dollars a été contractée pour limiter le risque du gouvernement pour toute police d'un an et pour une seule perte. Bien que les événements de septembre 2001 ont eu un effet dévastateur sur le marché de l'assurance, le gouvernement a pu conserver une certaine stabilité pour ce qui est des taux, étant donné la capacité du fonds. En 2005, le programme a été élargi de nouveau pour assurer tous les parcs d'automobiles du gouvernement, du secteur de la santé et des commissions scolaires couverts par le fonds. Les ministères du gouvernement, les agences, les commissions, les sociétés d'État et les commissions scolaires ont constaté des économies immédiates d'environ 40 pour cent.

La croissance du Fonds d'autoassurance et de gestion des risques de l'Î.-P.-É. au cours des vingt-trois dernières années a fait que ma section a dû élargir sa capacité de risque et ses services professionnels nécessaires pour nos clients afin de gérer plus de risques de façon plus efficace.

Le désastre terroriste de 2001 à New York a eu un effet dévastateur sur l'industrie de l'assurance mondiale en raison des nombreux milliards de dollars perdus par les compagnies d'assurances et de réassurances en Amérique du Nord et en Europe. L'effondrement financier récent des assureurs de premier rang du monde a mis fin au processus de la reprise économique de l'industrie de l'assurance. Les marchés, cependant, sont plus favorables avec un intérêt renouvelé dans l'investissement et des indicateurs précoces suggèrent une faible baisse des primes dans un avenir prévisible.

La Section de la gestion des risques et de l'assurance continue d'élargir ses programmes et ses services auprès de ses clients du gouvernement et d'autres entités du secteur public financés par le gouvernement. Nous avons été capables de négocier des primes favorables en obtenant un équilibre entre des propriétés et des risques de responsabilité à très faible risque, et des propriétés et des risques de responsabilité qui sont plus enclins à être soumis à des réclamations par la nature même des affaires qui y sont menées.

Il y a une tendance croissante du nombre de réclamations portées contre le gouvernement et autres entités du secteur public, comprenant les commissions scolaires qui sont chargées de gérer les risques associés au système d'éducation publique.

Le potentiel de gain financier rend le processus des litiges encore plus attirant. Les poursuites en justice qui autrefois étaient perçues comme étant futiles ou contrariantes sont maintenant permises dans l'acte judiciaire. Pour contrer cette tendance, et minimiser le temps aux tribunaux, les plaideurs peuvent maintenant faire usage d'un système de médiation qui a permis au Fonds d'épargner de larges sommes en frais judiciaires.

Sommaire

Bien que la demande de services sans délai est une tendance inévitable dans notre domaine, nous avons amélioré notre efficacité de la gestion des besoins de nos clients. Selon notre expérience, les clients qui ont des ressources internes en matière de gestion de risque et une connaissance des assurances peuvent répondre aux clients et les orienter avec une consultation minimale. Pour cette raison, nous offrons une formation et une orientation supplémentaires à certaines personnes choisies. Notre section peut approuver une politique et une procédure pour les clients plutôt que de l'élaborer pour eux.

Le marché de l'assurance voit le gouvernement et les entités connexes comme une source de revenus pour leur entreprise, comme courtier d'assurance ou assureur. Évidemment, nous sommes ouverts à leurs invitations aux affaires, mais nous voulons maintenir des règles du jeu équitables quand vient le moment d'obtenir des présentations de prix concurrentielles pour nos risques afin d'être assurés au-delà de nos propres valeurs de rétention.

Les courtiers d'assurances et les assureurs doivent être disposés à assurer un vaste échantillon de risques dans nos portfolios de responsabilité, propriété, fiducies et automobiles. Il est fréquent pour nous de solliciter des propositions de prix pour des risques particuliers auxquels nous ne voulons pas exposer le fonds pour des raisons différentes de perte de maîtrise et d'assurances.

Le Fonds d'autoassurance et de gestion des risques de l'Î.-P.-É. continue de bien remplir ses fonctions financières. Les recommandations faites par les actuaires et le Bureau du vérificateur général ont mené à une augmentation des réserves pour payer des réclamations qui sont ouvertes, mais qui ne sont pas encore réglées. Les réserves accrues refléteront mieux les sommes actuelles

disponibles dans le Fonds qui serviront à payer les réclamations. La durabilité à long terme continue d'améliorer les services offerts par la Section de la gestion des risques et de l'assurance aux ministères du gouvernement, aux sociétés d'État, aux agences et aux commissions, aux hôpitaux et aux commissions scolaires.

Dans les dernières années, nous avons participé activement au processus d'attribution de contrats afin de minimiser les risques associés aux affaires auprès des fournisseurs du secteur public. Les demandes pour notre expertise dans ce domaine ont augmenté en particulier dans le secteur de la santé, au moment où ils réalisent les risques de responsabilité potentiels en raison des nombreux étudiants qui suivent une formation dans leur milieu, ainsi qu'avec un grand nombre de fournisseurs offrant du soutien TI et d'autres biens et services dans nos hôpitaux et nos foyers de soins.

Services fournis par la Section aux ministères gouvernementaux, sociétés de la Couronne, commissions, hôpitaux et commissions scolaires.

- Les versions électroniques des inspections de risques aux propriétés/Enquêtes d'ingénierie sont conservées dans la base de données *.ARMS.* de la Section de la gestion des risques et de l'assurance et sont maintenant disponibles aux clients.
- L'inspection des terrains de jeux des écoles sera exécutée en collaboration avec le personnel de l'entretien et de l'administration de la commission scolaire.
- La coordination des études de consultants sur des projets majeurs et des questions critiques de gestion des risques du jour.
- La réponse aux questions fréquentes et l'attribution de directives au personnel de gestion au sujet du contrôle des pertes, de questions de responsabilités juridiques et de dossiers actuels de réclamation.
- L'exécution des évaluations de risques pour des clients en particulier et l'élaboration, avec eux, d'une stratégie efficace de gestion des risques.
- La négociation de règlements de dossiers de réclamation avec le grand public ou l'explication claire quant aux raisons pour lesquelles certaines réclamations ne seront pas réglées.
- La coordination de séminaires et de présentations aux clients de la Section de la gestion des risques et de l'assurance. Les séminaires visent à cibler l'exposition aux risques/préoccupations du client, utilisant des pratiques de gestion des risques et des principes d'assurance utiles.
- La délivrance de certificats d'assurance pour toutes les catégories de couverture offertes par le Fonds d'autoassurance et de gestion des risques de l'Î.-P.-É.

Initiatives

During the past fiscal year we completed an entire inventory of the buildings insured by our program. This resulted in an accurate assessment of the value of our properties and the appropriate insurance coverage on these risks. There were approximately 800 buildings in our inventory, and required engineers and expertise from outside vendors, and the resources from Department of Transportation and Public Works engineers whose expertise were invaluable to the initiative.

The software has been updated which has significantly improved the process that school incident reports (minor accidents at school) are completed, reported and recorded. Staff at schools, school boards, and Risk Management and Insurance have immediate access to a more user friendly system.

We will continue to work with department insurance representatives, engineers and lawyers to streamline the contract process. The objective is to transfer more independence to departments particularly Transportation and Public Works, and Health. With internal resources and expertise, the departments can make internal decisions in a majority of contracts, following the recommendations of the Treasury Board Policy and Procedure Manual, and understanding the application of these recommendations to the various contracts they manage.

We have already received cooperation from the Procurement Services Division as they have incorporated the minimum insurance requirement and "indemnity"clauses into their RFP documents. This will serve to minimize risks to the fund and to transfer the risk to the contractor where it legally belongs.

Risk Management and Insurance has been working with the Department of Health management to prepare an RFP which will address the department's areas of most immediate concern and will address recommendations contained in the *Corpus Sanchez Report.*

The section will take inventory of our programs and services with an objective to optimizing our resources to provide a quality service to our clients and the public we serve.

CLAIMS/INCIDENTS ACTIVITY REPORT

Claims

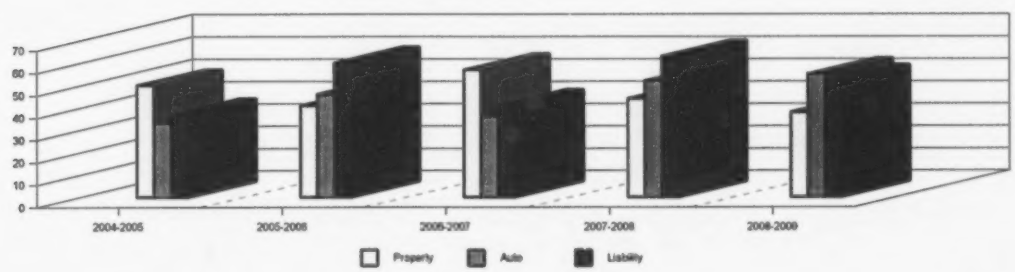
	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
Property	50	41	57	44	38
Auto	33	46	36	52	55
Liability	37	60	41	63	52
TOTAL:	120	147	134	159	145

Incidents

	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
School (I)	957	809	1120	737	973
Property (I)	9	14	14	10	21
Auto		19	10	23	15
Liability (I)	141	121	128	113	128
TOTAL:	1,107	963	1272	883	1137

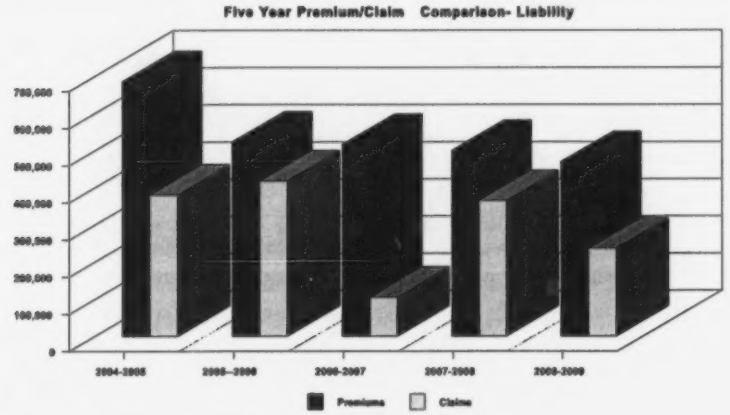
Incidents (I) = Number of Written Reports Received for Each Class of Incident and Files Opened in the Event a Claim is pursued.

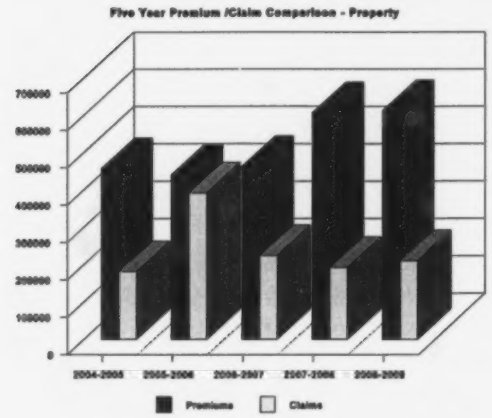
Claims Activity 2004-2009

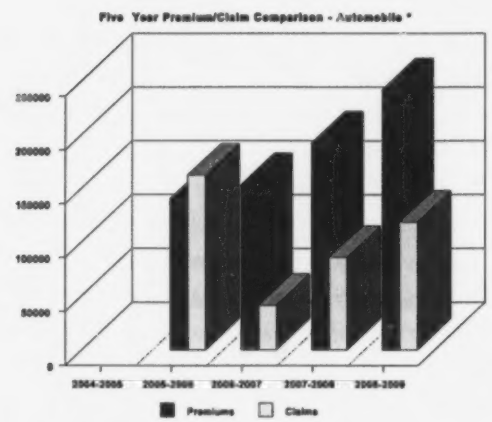


Incident Activity 2004-2009

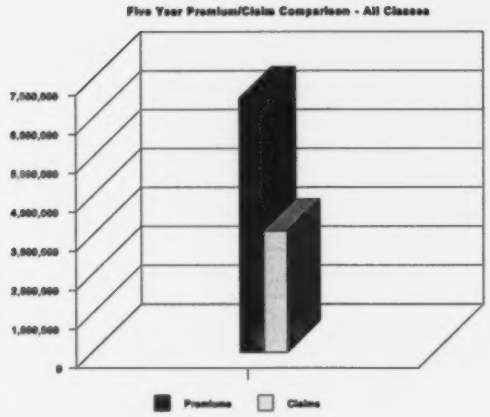
Five-Year Premium Claim Comparison







* Automobile comparison chart is based on four years of inclusion of this class in the Self-insurance Risk Management Fund.



Loss Ratios					
	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
Liability	55%	80%	20%	74%	50%
Property	40%	89%	48%	32%	34%
Automobile**		116%	27%	45%	49%
Five Year Loss Ratio for Self-insured Risk Management Fund all classes – 48 per cent.					

** Automobile Loss Ratio based on four years experience.

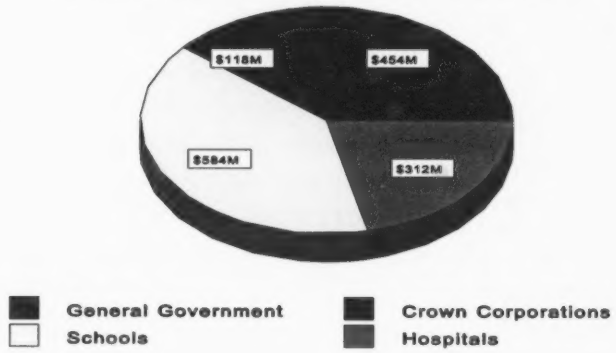
Loss Ratios are compiled for each fiscal year in order to establish whether current premiums charged are adequate to maintain the Self-insurance Risk Management Fund. Premiums for each fiscal year are contained within the financial statements prepared by the Auditor General's Office. Premiums are net after payments for excess insurance purchased over and above self-insured retentions. Liability premiums include premiums charged for the Foster Parent Insurance Program. Premiums for property and automobile include payment from General Government which covers deductibles under property insurance and physical damage claims to owned automobiles under the automobile insurance program. Property premiums include $98,000 allocation and automobile premiums include a $42,000,00 allocation. Claim statistics for the loss ratios are derived for each fiscal year using the Insurance and Risk Management Information System (IRMIS). File Contents Listings are reviewed each year, outstanding reserves and net claims costs are combined to arrive at the total claim exposure. Once premium and claim statistics are complied the total amount of the claims are divided into the premium and multiplied by 100 per cent in order to arrive at the Loss Ratio.

Insured Property Values/Auto Fleet Statistics

Insured Property Values (Building/Equipment/Contents)					
Insured	**Number of Locations**	**Building Values**	**Contractors Equipment Values**	**Content Values**	**Total**
General Government	408	$356,846,390	$29,240,022	$67,423,359	$453,509,771
Crown Corporations	104	$95,459,846	$7,621,069	$14,827,876	$117,908,791
Schools	72	$531,305,577	Nil	$53,119,055	$584,424,632
Hospitals	8	$234,093,783	Nil	$77,692,533	$311,786,316
TOTAL:	592	$1,217,705,596	$36,861,091	$213,062,823	$1,467,629,510

Property Values

Total Insured Property Values - $1.46 Billion



Fleet Automobile Statistics

Fleet Automobile - Total Insured Vehicles 866

Staff

Linus Kelly, BA, CIP, CRM
Acting Manager
Risk Management/Loss Control/Claims

Marie Kemp, CIP
Claims/Underwriting

Lorna Jenkins
Administration/Accounting

P.E.I. SELF-INSURANCE

AND RISK MANAGEMENT FUND

FINANCIAL STATEMENTS

MARCH 31, 2009

AUDITOR GENERAL

CHARLOTTETOWN
PRINCE EDWARD ISLAND

AUDITOR'S REPORT

To the Members of Treasury Board

I have examined the balance sheet of the Prince Edward Island Self-Insurance and Risk Management Fund as at March 31, 2009 and the statement of revenues, expenses and fund balance for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2009 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Colin Younker, CA
Auditor General

Charlottetown, Prince Edward Island
July 30, 2009

STATEMENT 1

PRINCE EDWARD ISLAND

SELF-INSURANCE AND RISK MANAGEMENT FUND

BALANCE SHEET

AS AT MARCH 31, 2009

	2009	2008
ASSETS		
Current assets		
Accounts receivable		
Province of P.E.I. - Note 5	$9,335,924	$9,391,830
Other	76,546	7,496
	9,412,470	9,399,326
Prepaid expenses	287,673	57,896
	$9,700,143	$9,457,222
LIABILITIES AND FUND BALANCE		
Current liabilities		
Accounts payable	$ 140,317	$ 322,402
Unearned premiums	343,007	322,149
Provision for unsettled claims - Note 3	1,699,513	1,284,398
	2,182,837	1,928,949
Fund balance - Statement 2	7,517,306	7,528,273
	$9,700,143	$9,457,222

(The accompanying notes are an integral part of these financial statements.)

SIGNED ON BEHALF OF TREASURY BOARD:

MEMBER: _____

MEMBER: _____

STATEMENT 2

PRINCE EDWARD ISLAND

SELF-INSURANCE AND RISK MANAGEMENT FUND

STATEMENT OF REVENUES, EXPENSES AND FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 2009

	2009	2008
Revenues		
Insurance premiums - Note 4	$2,388,351	$2,157,225
Interest - Note 5	41,700	73,700
Grant in lieu of interest - Note 5	175,000	175,000
Claim Recoveries - Note 6	163,942	198,758
Miscellaneous income	11,900	-
	2,780,893	2,604,683
Expenses		
Claims - Note 7	1,261,626	1,321,632
Consulting - Note 8	207,534	98,328
Insurance premiums - Note 9	1,066,261	859,573
Office and travel	10,323	15,040
Salary and benefits	246,116	231,944
	2,791,860	2,526,517
Net income (loss) for the year	(10,967)	78,166
Fund balance, beginning of year	7,528,273	7,450,107
Fund balance, end of year	$7,517,306	$7,528,273

(The accompanying notes are an integral part of these financial statements.)

PRINCE EDWARD ISLAND

SELF-INSURANCE AND RISK MANAGEMENT FUND

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

1. Operations

The Prince Edward Island Self-Insurance and Risk Management Fund was established under Part II of the Financial Administration Act. The Fund provides general liability insurance, errors and omissions insurance, primary property and crime insurance and automobile liability insurance for government entities. The Fund is administered by Treasury Board.

2. Summary of Significant Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The accounting policies of significance to the Fund are as follows:

(a) Prepaid Expenses

Payments for benefits continuing beyond March 31 are recorded as prepaid expenses.

(b) Unearned Premiums

Premiums received for coverage continuing beyond March 31 are recorded as unearned premiums.

(c) Provision for Unsettled Claims

The provision for unsettled claims represents management's best estimate for the full amount of all costs including investigation and the projected final settlements of reported claims. Since the amounts are based on estimates the ultimate liability may be more or less than the estimated amounts. This provision is adjusted up or down as additional information affecting the estimated amounts becomes known during the course of claims settlement. The provision adjustment is recorded in claims expense in the current period.

(d) Obligation for Future Employee Benefits

Employees of the Prince Edward Island Self-Insurance and Risk Management Fund are members of the Prince Edward Island Civil Service Superannuation Plan. The employer's share of the plan benefits plus additional future actuarial liabilities of the plan, and other future employee benefits are assumed by the Province of P.E.I. and are not reflected in the Fund's financial statements.

2. Summary of Significant Accounting Policies continued...

(e) Financial Instruments

Financial instruments are comprised of accounts receivable and accounts payable. Due to their short-term nature, all the financial instruments are considered to be carried at amounts which approximate their fair value.

(f) Financial Risk Management Objectives and Policies

The Prince Edward Island Self-Insurance and Risk Management Fund's risk management policies are part of the overall management of the entity's operations. Management's direct involvement in day-to-day operations identifies risks and variations from expectations leading to changes in risk management activities, requirements and actions. Management has not entered into hedging transactions to manage risk. As part of the overall management of the entity's operations management considers avoidance of undue concentrations of risk, and employs appropriate investment and credit management policies to manage the Fund's exposure.

3. Provision for Unsettled Claims

	2009	2008
General liability, errors and omissions		
Compensation amounts and professional services	$1,679,024	$1,384,394
Less: Estimated recoveries	40,638	140,148
	1,638,386	1,244,246
Primary property and crime		
Compensation amounts and professional services	232,513	201,936
Less: Estimated recoveries	208,318	194,240
	24,195	7,696
Automobile liability		
Compensation amounts and professional services	57,196	65,502
Less: Estimated recoveries	20,264	33,046
	36,932	32,456
	$1,699,513	$1,284,398

4. **Insurance Premiums Revenue**

	2009	2008
General liability, errors and omissions	$ 885,450	$ 768,790
Primary property and crime	914,094	849,231
Automobile liability	348,807	299,204
Foster Parents Insurance Program	100,000	100,000
General government deductible	140,000	140,000
	$2,388,351	$2,157,225

5. **Account Receivable - Province of P.E.I.**

The account receivable from the Province of P.E.I. of $9,335,924 includes $6,887,571 that was invested in Provincial Deposit Receipts until March 31, 1997. At that time Treasury Board directed the investment be redeemed and replaced by a non-interest bearing account receivable from the Province of P.E.I. In lieu of interest on investments, an annual payment of $175,000 has been paid by the Province to the Fund. In addition, the Province pays interest on the remaining accounts receivable balance at the overnight call loan rate.

6. **Claim Recoveries**

	2009	2008
General liability, errors and omissions	$ 58,355	$ 11,097
Primary property and crime	43,817	152,801
Automobile liability	61,770	34,860
	$163,942	$198,758

7. **Claims Expense**

	2009	2008
General liability, errors and omissions		
Compensation amounts - settled claims	$ 185,153	$ 229,773
Professional services - current cost	375,962	350,066
Increase in provision for unsettled claims	394,140	393,000
	955,255	972,839
Primary property and crime		
Compensation amounts - settled claims	109,170	250,938
Professional services - current cost	17,917	23,065
Increase (decrease) in provision for unsettled claims	16,499	(91,893)
	143,586	182,110
Automobile liability		
Compensation amounts - settled claims	138,487	140,428
Professional services - current cost	19,822	12,980
Increase in provision for unsettled claims	4,476	13,275
	162,785	166,683
	$1,261,626	$1,321,632

8. **Consulting Expense**

	2009	2008
Consulting - risk management	$ 57,124	$72,124
Consulting - legal and accounting	70,940	13,734
Property inspections and programs	79,470	12,470
	$207,534	$98,328

9. **Insurance Premiums Expense**

	2009	2008
General liability, errors and omissions	$ 516,545	$369,780
Primary property and crime	400,468	340,545
Automobile liability	149,248	149,248
	$1,066,261	$859,573

10. **Cash Flow Statement**

A cash flow statement has not been included in these financial statements. All receipts and payments flow through the Province's bank account. Since cash flow activity is reflected in the receivable/payable between the Fund and the Province, the presentation of cash flows in a financial statement format is not considered necessary.

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